OLR Bill Analysis

sSB 1031

AN ACT CONCERNING THE INSURANCE DEPARTMENT'S AUTHORITY TO PROTECT CONSUMERS.

SUMMARY:

This bill allows the insurance commissioner to order a licensed insurance producer (e.g., a salesperson) to pay restitution or the amount of an uninsured claim or loss if he finds that the producer has engaged in specified behavior.

It bars insurance companies and other insurers from issuing for delivery, renewing, amending, or continuing an individual or group health insurance policy or health care plan in the state that (1) includes any provision that gives the insurer discretion to interpret the policy's or plan's terms or (2) provides interpretation or review standards that are inconsistent with state law.

By law, individual life insurance policies delivered or issued for delivery in the state must include a notice stating that the applicant can cancel the policy by delivering or mailing it to the insurer or insurance agent who sold it, at any time within 10 days after receiving it. The bill requires that the insurer maintain proof of the date and how the policy and notice were delivered or mailed for seven years after the delivery or mailing. The insurer may maintain this proof in paper, photographic, mechanical, magnetic, or electronic media, or in any other form or media or by any other process that accurately demonstrates the date of the delivery or mailing. The insurer must make this proof available to the commissioner upon request.

The bill makes minor changes regarding the deadlines for insurers to pay claims and the penalties for failing to do so.

EFFECTIVE DATE: January 1, 2014

RESTITUTION

The bill allows the commissioner to order a licensed insurance producer to pay restitution or the amount of an uninsured claim or loss if he finds that the producer has:

1. improperly withheld, misappropriated, or converted any money or property received in the course of doing an insurance business;

2. admitted to or been found to have committed any insurance unfair trade practice or fraud; and

3. used fraudulent, coercive, or dishonest practices, or demonstrated incompetence, untrustworthiness or financial irresponsibility in the conduct of business in Connecticut or elsewhere.

The commissioner must hold a hearing before imposing these penalties, which are in addition to penalties he can impose by law.

FAILING TO PAY CLAIMS ON TIME

The bill makes it clear that the same (1) deadlines apply for an insurer to pay a claim made by a claimant (e.g., a policyholder) as one made by a health care provider and (2) penalties apply for failing to do so for both types of claims.

By law, insurers generally must pay paper claims filed in accordance with their practices or procedures within 60 days and pay electronically-filed claims within 20 days. However, if there is a deficiency in the information a health care provider submits on a standardized claim form, the insurer must (1) inform the provider of the alleged deficiencies within 30 days of receiving a paper claim and 10 days of receiving an electronic claim and (2) pay the claim once the insurer receives the requested information, again within 30 days for paper claims and 10 days for electronic claims. The bill extends these provisions when there is a deficiency in the information a claimant submits in accordance with the insurer’s practices and procedures as reasonably applied to the claimant.

The bill makes it clear that the failure of an insurer or other entity responsible for paying claims to comply with these deadlines with regard to claims made by claimants is an unfair insurance practice. By law, both claimants and health care providers are entitled to 15% annual interest on the unpaid claim and the insurance commissioner can impose other penalties.

By law, the deadlines do not apply if the Insurance Department determines that (1) there is a legitimate dispute about coverage, liability, or damages or (2) the claimant has fraudulently caused or contributed to the loss.

BACKGROUND

Connecticut Unfair Insurance Practice Act (CUIPA)

CUIPA prohibits engaging in unfair or deceptive insurance acts or practices. It authorizes the insurance commissioner to issue regulations, conduct investigations and hearings, issue cease and desist orders, ask the attorney general to seek injunctive relief in Superior Court, impose fines, revoke or suspend licenses, and order restitution.

Fines may be up to (1) $5,000 per violation to a $50,000 maximum or (2) $25,000 per violation to a $250,000 maximum in any six-month period if knowingly committed. The law also imposes a fine of up to $50,000, in addition to, or instead of, a license suspension or revocation, for violating a cease and desist order.

COMMITTEE ACTION

Insurance and Real Estate Committee

Joint Favorable Substitute
Yea 12 Nay 6 (03/14/2013)